TRIAL EXHIBIT 7237

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SW Business Review

Java ME: Mobile and Embedded

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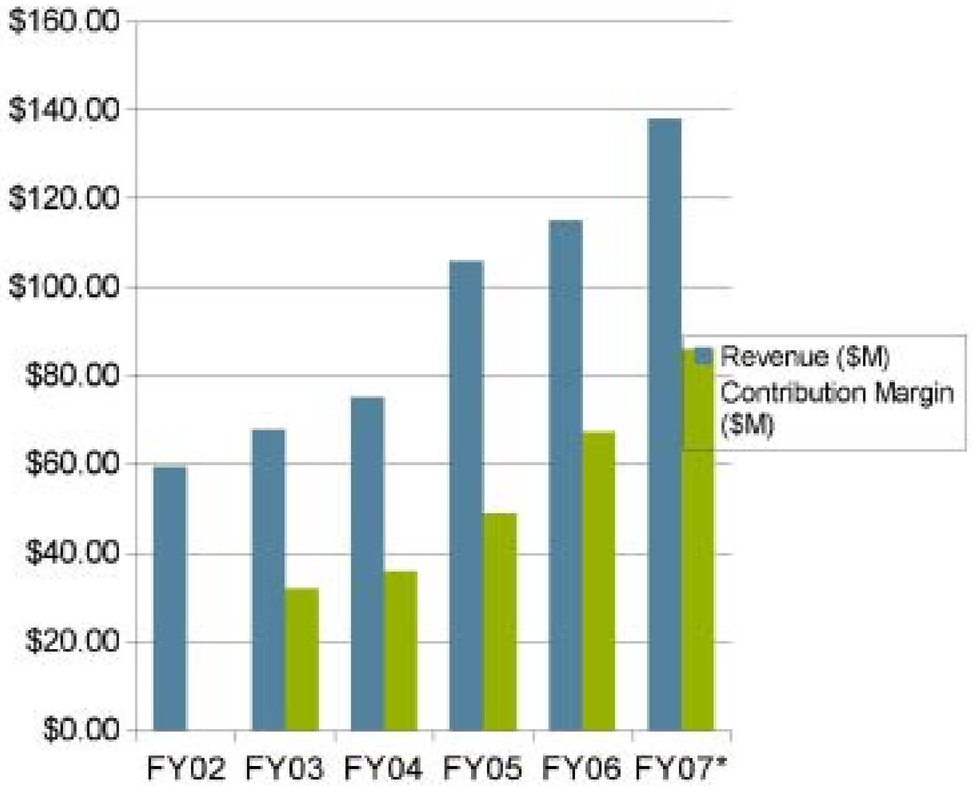
September 29, 2006

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
TRIAL EXHIBIT 7237
CASE NO. 10-03561 WHA
DATE ENTERED_______________
BY_________________________
DEPUTY CLERK

Consistent Top and Bottom Line Growth Through IP-centric OEM Business Model



Our business has been growing faster than our largest market

Java ME 5yr CAGR of 17.9% beats device market 5yr CAGR of 14.5%

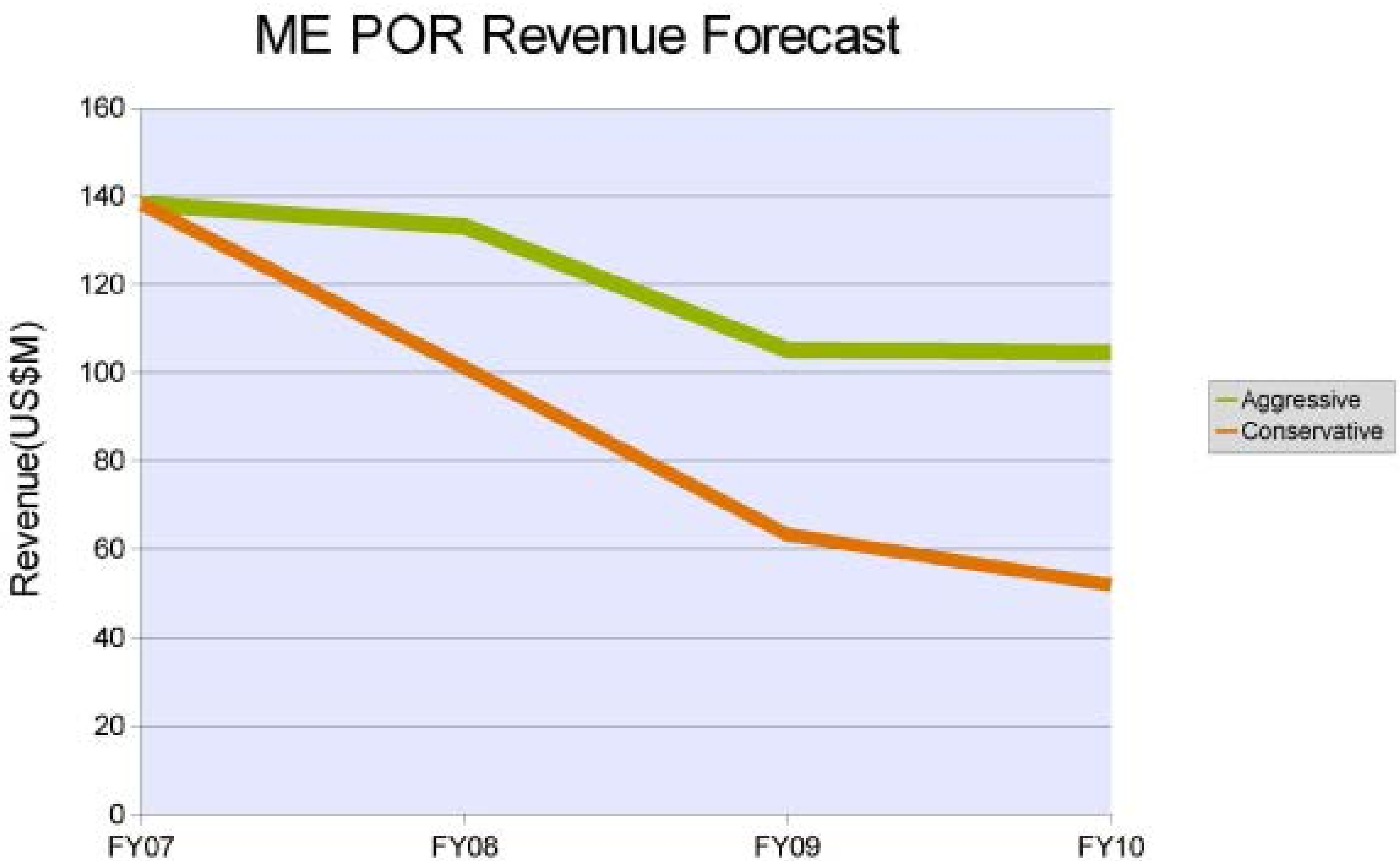
But Market Changes Threaten Our Position

- Market is increasingly driven by content, bringing in a new set of players (e.g. Google, Disney, Apple)
- Gaming is decreasing as a percentage of mobile data services revenue. Therefore Java is decreasing as:
  - percentage of data ARPU and SW BOM
  - driver of per device revenue for carriers and developers
- Increase in device capability and networking shifting the market to advanced platforms; growth is more than 5x feature phones
  - New competitors entering the advanced market; no entrenched incumbent
  - **OS**: MSFT mobile, Symbian Series 60, RIM, Access (Palm), Linux, QCOM; **Application platform**: Java ME CDC, Flash, MSFT, Native

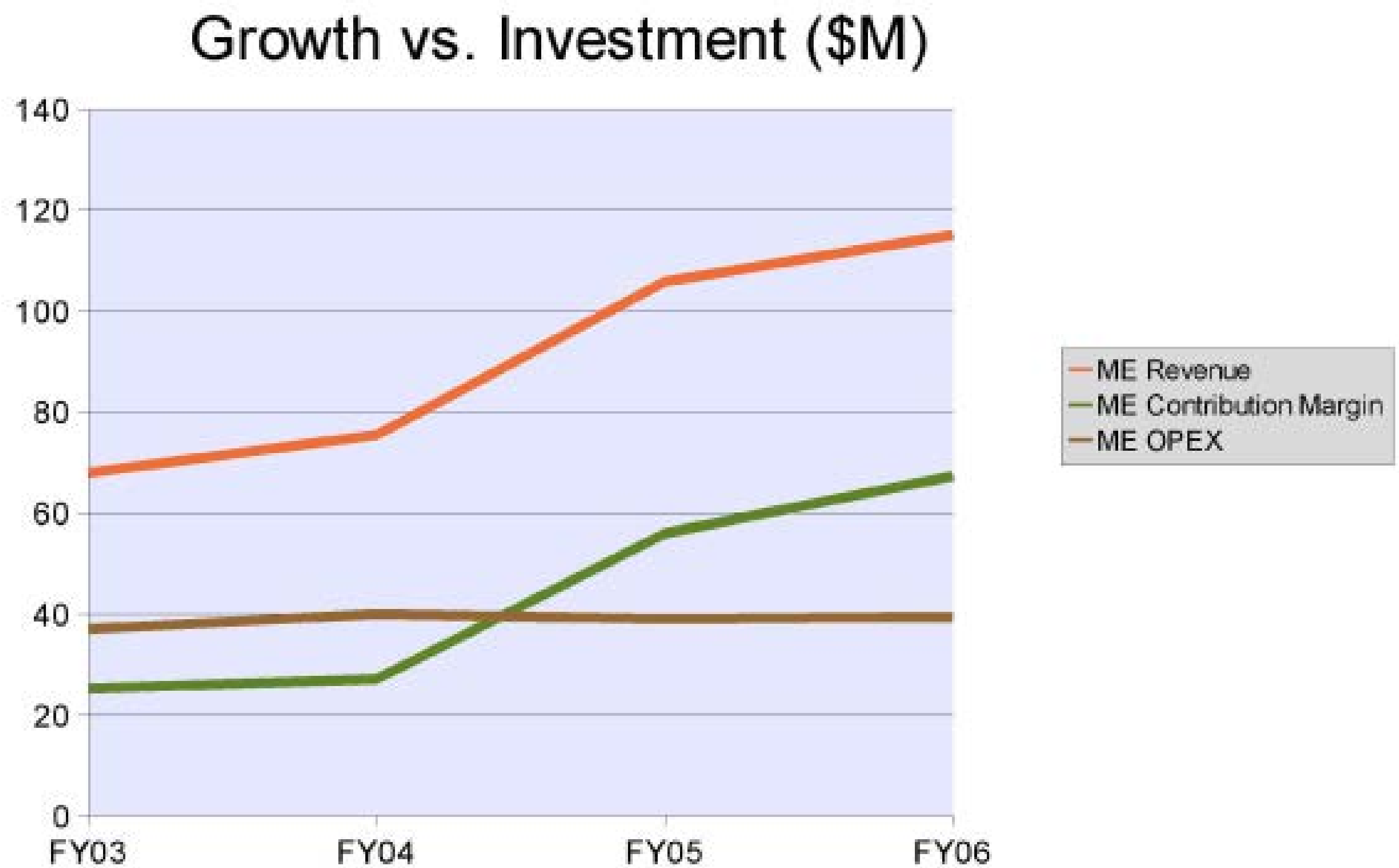
With Fragmentation Further Undermining The Java Value Proposition

- "Having it your way" - liberal source distribution - accelerated adoption, but spawned implementation variations across the ecosystem (fragmentation)
- Test and certification across device/platform/implementation combinations drives 55% of development costs on average rising to 80% for more popular applications
  - > Can cost $150k - $450k to develop a midrange Java application
- Competitors, e.g. BREW, MSFT, Flash perceived as less fragmented and easier for developers to monetize

Stay The Course and Revenue Drops



Flat Investment in a Growth Market Means SMI Ceding Market Position



Global Wireless Data Revenue is Growing; Position Java To Capture a Bigger Share

Quarterly data revenue cagr is 16.8% (Cowen and company)

Our 3 Imperatives:

- Address fragmentation – make Java a viable platform for rich data services across devices
  - > Deliver a full stack Java implementation; use open source to engage developers and accelerate adoption
- Expand Java beyond gaming – focus on ISVs and what they need to write rich data apps to our platform
  - > Enable migration of native and markup apps to Java
- Implementation Specialist
  - > Create ecosystem around Sun bits, not just Java
  - > In deep with OEMs – use relationship with market tippers to drive ISV certification to our bits

We Need to Shift From Carrier-centric to Developer/content-centric

- Leverage the community to drive the kind of innovation needed for a platform that enables rich data services
- Open Source will help us to interact with and understand the needs of developers, and how to solve their problems
  - > Both platform and application developers will have the ability to help drive the evolution of these platforms in the community
- Developer engagement at this level will accelerate adoption of the platform, driving implementation consistency up and fragmentation down
  - > Unification of the platform reduces porting and development costs, while increasing available device volume

Invest to go beyond Mobile Gaming

- Capture non-gaming mobile content
  - P2P Messaging (SMS/MMS, IM, IMS) $ 90 bil in 09
  - Consumer Information Services $ 41 bil in 09
  - Rich Multimedia Services (TV, Music) $ 26 bil in 09
- Enable "Off deck" branded Services
  - Without the expense of being a MVNO
- Position Java as the primary application environment for Mobile Linux
- Convergence for enabling multi-screen services

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Java ME's Big Bets

Java System Executive ("Operating System")	Integration with Advanced OS Browser Integration Java Multitasking
Content Management	Intelligent File System DRM Integration Device Management
Advanced UI	Declarative UI XML based UI Customizable Look and Feel
Data Services Integration	IMS Client Framework Web Services enablement

Java as the Primary Environment

P2P Messaging	IMS Client Framework
	PIM Integration
	SMS / MMS
	Local Connectivity (WiFi, BT)
Consumer Information Services	Browser Integration
	Location-Based Services
	Web Services Enablement
	XML and SVG UI Integration
Rich Multimedia Services (TV, Movies, Music, etc.)	SVG
	Mobile Broadcast
	Digital Right Management
	Payment
Enabling "Off deck" Branded Services (Without MVNO expense)	Declarative UI
	XML and SVG UI Integration
	Device Management
	Native / Java App Integration
	Over-The-Air Updates
	Customizable Look & Feel

Commercial Roadmap Themes

	March 2007	September 2007	March 2007	September 2008
Feature Phone : Follow the Market Requirements				
Wireless Performance Pack	Non-Gaming enablement (SMS/MMS, Rich 3d Graphics, M-Commerce)			
Portfolio Source		OEM specific ports ahead of engagments Factory of 3rd party components Carrier solutions for Vodafone VFX, Sprint, and as developed, Cingular, Orange		
Binary Solutions		Build or drive to standard binaries Windows Mobile binary		
Advanced Phone : Changing the Market				
Create Base CDC Wireless Base Product			Define, Drive adoption of Java Wireless Player and Solution Leverage existing Umbrella Java Wireless Standards Push customizable UE and dynamic computing platform Extend to develop converged device platform	
Develop a Sun Phonetop Solution for Linux				Define, Drive adoption of Sun Phonetop for Linux

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Commercial Feature Roadmap

		1H 2007	2H 2007	1H 2008
Feature Phone Java Player	P2P Messaging	MMS / SMS	Mobile Telephony	
	Mobile Multimedia	Audio / Video Recording / Playback		Mobile Broadcast
	Consumer Information Services	Location, Payment, Authentication and Web Services	IMS Client Framework, Web Services Improvments	DRM Integration
	"Off deck" Applications	SVG UI, Browser integration		Advanced XML UI, SVG 2.0
	"Operating Systems" capabilities	Multiple MIDlet support	Skinning / Theming	MIDP 3
	Platforms	Linux/ARM	Nucleus/TI, Brew/Qualcomm, Windows Mobile	Keep with OEM roadmap
Advanced Phone Java Player	P2P Messaging		Replicate Feature Phone Capabilities	Replicate Feature Phone Capabilities
	Mobile Multimedia			
	Consumer Information Services			
	"Off deck" Applications			
	"Operating Systems" capabilities		Multiple Java application support	Xlet application model
	Platforms		Linux/ARM	Windows Mobile, S60/Symbian
Advanced Phone Linux Phonetop	Advanced UI			Customizable Look and Feel
	Java System Executive			Content Manager, Native app/Java app co-existence
	Content Management			Ringtones, Java, Native app mgmt, DRM engine
	Applications			PIM, Preferences, Status

ISV Program: 3 Tiers

Member:

- Community based information sharing
- Access to papers, newsletters, forums, bug tracking, ...
- Invitations to partner briefings and webinars on new technologies, products, & services
- Viral promotion of innovative ISV technologies
- Open to all, simple community registration

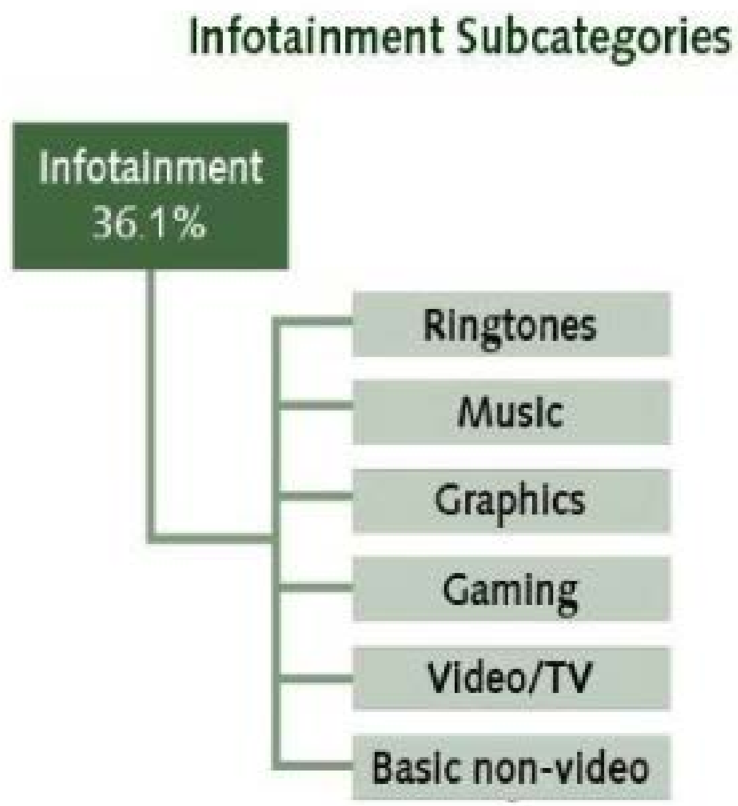
Associate: Member benefits +

- Access to dedicated technical support resources
- Access to engineering services
- Invitation to "private" briefings on new technologies products & services
- Ability to augment testing and verification suites (JDTS, Java Verified)
- Listing in ISV directory
- By Invitation: Commit to one application though Java Verified

Executive: Associate benefits + (Commit to one application though Java Verified)

- Early access to Sun distributions and devices with those distributions
- Ability to influence implementation and roadmaps
- Invitation to participate in marketing activities (java.com) and events
- Access to named technical support resources
- Member of the "ISV Executive Council"
- Commit to certifying on Sun distributions and commit to joint marketing

Mobile ISV Program Key Target Markets



- **Games**
  - EA
  - Killo
  - Digital Chocolate
- **Video**
  - MobiTv
  - Kamera
  - BBC
- **Music**
  - RadioDJ
  - Real
- **Pictures**
  - Mspot
- **Messaging**
  - OZ
  - Opera
- **Ecosystem Partners**
  - Bango
  - Mpowerplayer
  - MobileComplete

Other segments to consider: Social Networking (myspace), Mobile Messaging (Funambol), video (YouTube mobile)

Why Use Sun Bits? Sun Is the Mobile Implementation Specialist

- Requires a closer relationship with our customers and a deep understanding of their business – our engineers at their site (e.g. BenQ)
- Our value is integration which offers faster time to market, reduced cost and simplification of third party licensing and integration for our customers.
- We will monetize commercial licensing, services and implementations, leveraging our expertise to sell training, support and testing services.

Increasing Monetization as Mobile Implementation Specialists

- Implementing more of the Phone stack
  - Deeper & broader device middleware integration
  - Implement non-Java middleware to add value – Linux
- Moving from a few reference ports to a larger collections of "off-the-shelf" phone ports
  - Add embedded OS/HW combinations as supported platforms (TI Neptune/Nucleus, TI 2430/Nucleus, Qualcomm/Brew, Windows Mobile)
- Driving to customer deployable solutions
  - "Portfolio" source – Deliver solutions on customer ref. platforms
  - Binary solutions

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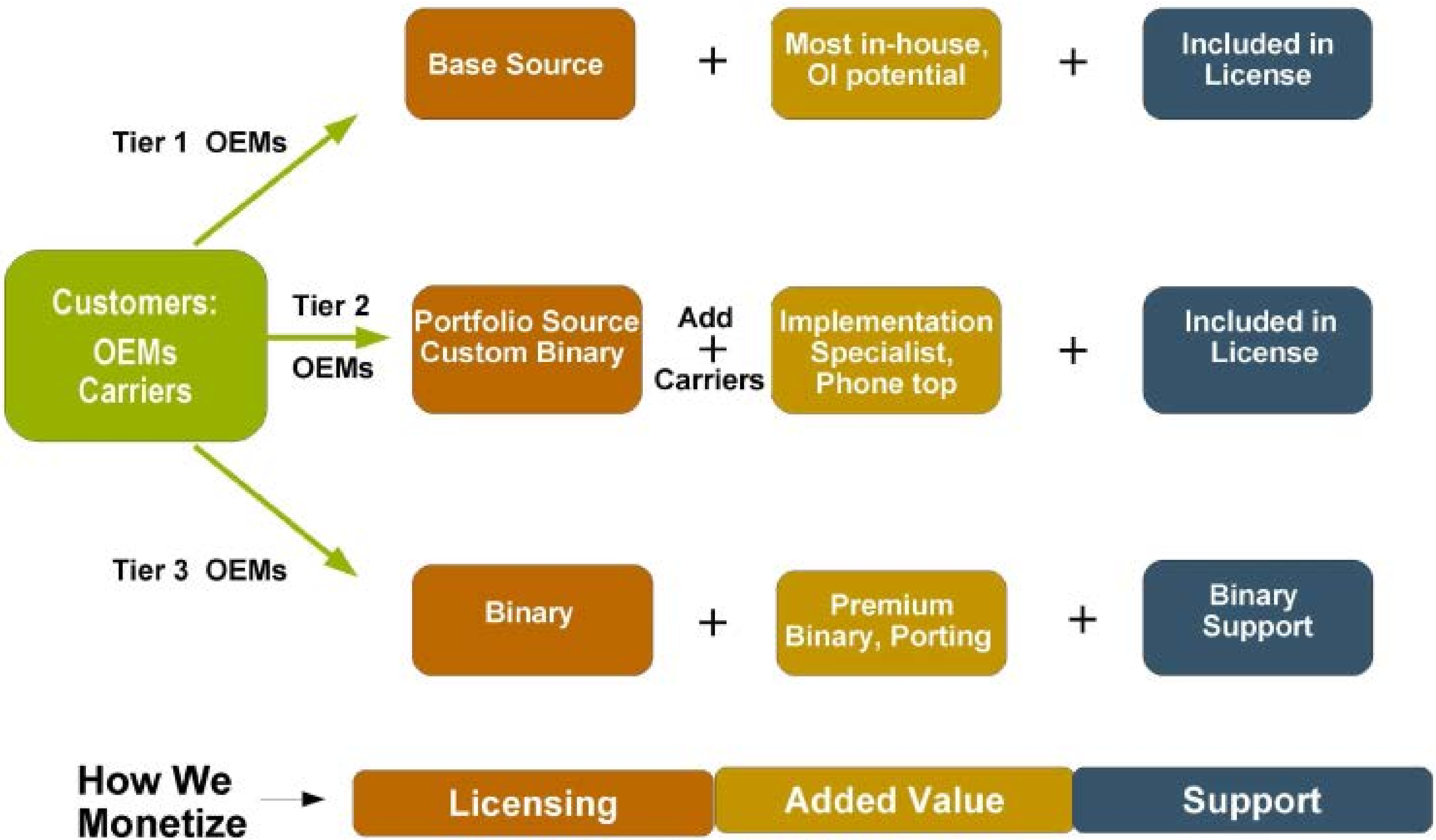
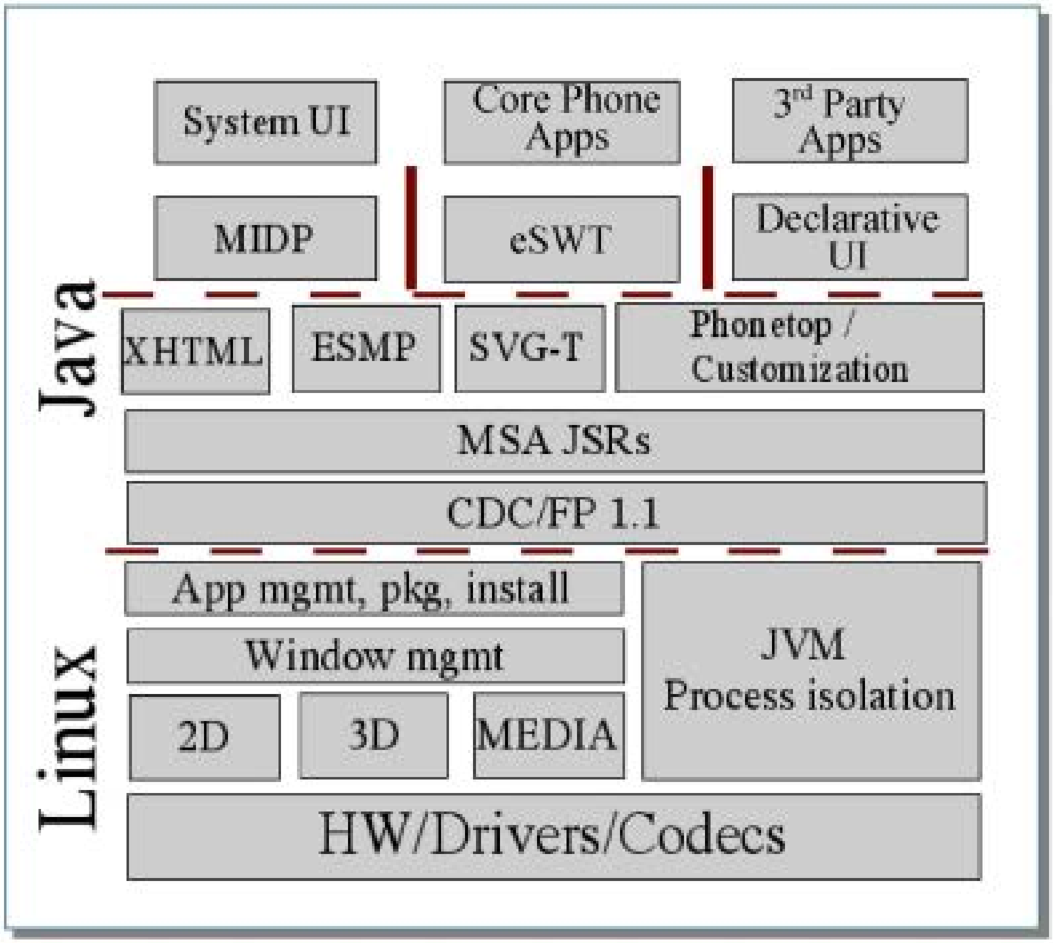
Monetizing the Commercial Product

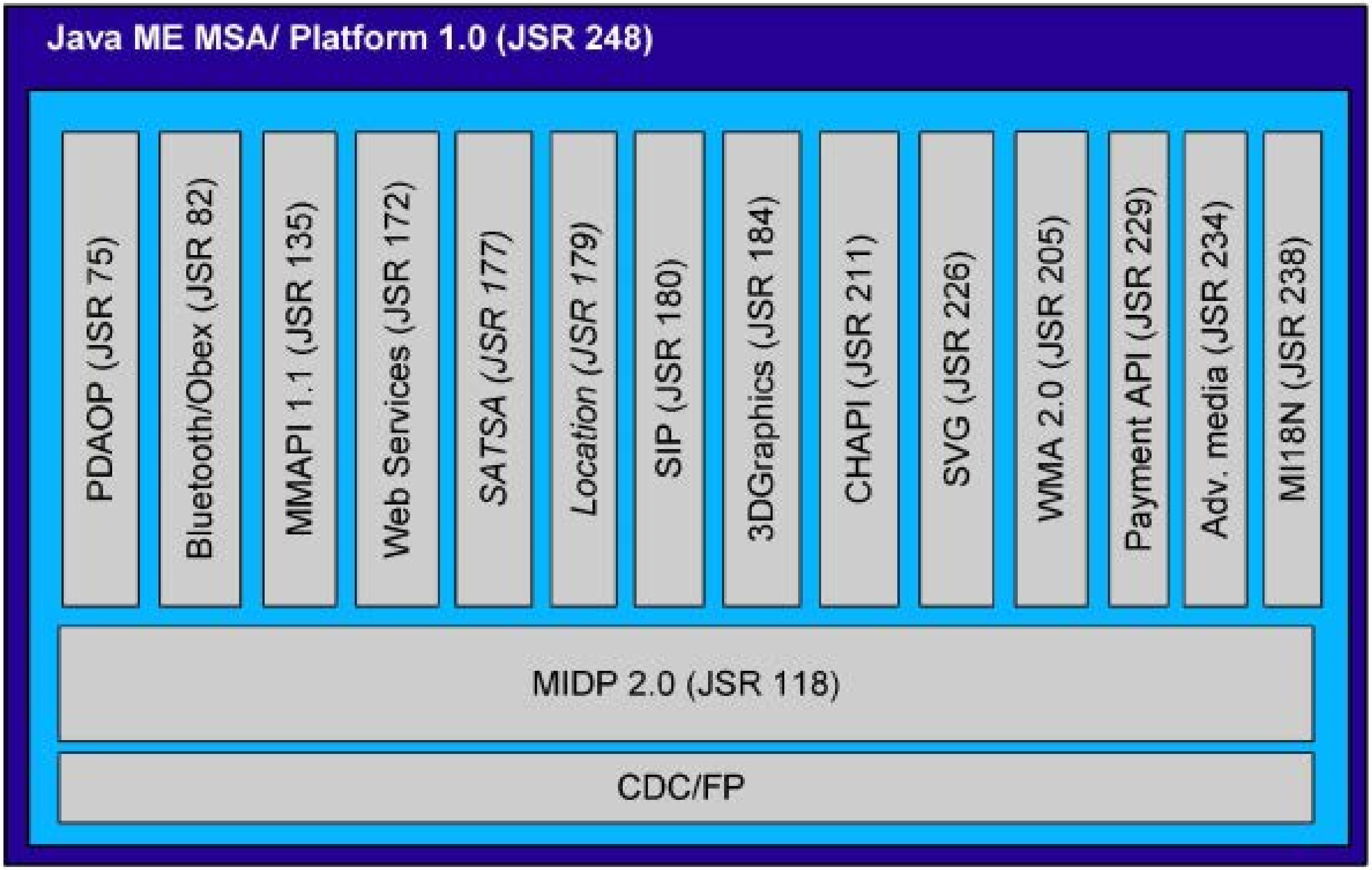


Java/Linux Mobile Platform Architecture



- Full stack Java/Linux implementation:
  - Supported on multiple hardware platforms
  - Integrated Java/XML/Scripting platform
- Allows for OEM and Carrier customization of UI and Services

Java stack enables developers



Revenue Scenario: Shipment volume averaged and held constant

	Low Java relevance in Data ARPU	High Java relevance in Data ARPU
High Data ARPU growth	**Drafting** 	**Fat City** 
Low Data ARPU growth	**Commodity** 	**Small Market Dominator** 

High
Data ARPU growth
Low

Low High
Java relevance in Data ARPU

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Scenario Model - Pricing

Drafting Scenario– High Data APRU Growth, Java drive small % of overall data APRU, slight price erosion for current products, slower ramp up

CDC	Nokia	Motorola	Tier 2	Tier 3	CLDC	Nokia	Motorola	Tier 2	Tier 3
Standards	$0.00	$0.00	$0.23	$0.59		$0.00	$0.00	$0.11	$0.25
Base Impl.	$0.04	$0.07	$0.22	$0.55		$0.04	$0.07	$0.14	$0.32
Portfolio Source	$0.04	$0.07	$0.32	$0.83		$0.04	$0.07	$0.22	$0.47
Custom Binary	$0.07	$0.16	$0.66	$1.58		$0.07	$0.16	$0.44	$0.90
Custom Binary + Source code	$0.07	$0.16	$0.66	$1.58		$0.07	$0.16	$0.44	$0.90
Phone Top	$0.90	$0.90	$1.35	$1.80					

Fat City Scenario – High Data APRU Growth, Java drive large % of overall data APRU, price with premium, cap applied across OEMs

CDC	Nokia	Motorola	Tier 2	Tier 3	CLDC	Nokia	Motorola	Tier 2	Tier 3
Standards	$0.00	$0.00	$0.42	$1.06		$0.00	$0.00	$0.19	$0.45
Base Impl.	$0.04	$0.12	$0.38	$0.98		$0.04	$0.12	$0.26	$0.56
Portfolio Source	$0.06	$0.12	$0.58	$1.47		$0.06	$0.12	$0.38	$0.84
Custom Binary	$0.13	$0.29	$1.18	$2.80		$0.13	$0.29	$0.78	$1.60
Custom Binary + Source code	$0.13	$0.29	$1.18	$2.80		$0.13	$0.29	$0.78	$1.60
Phone Top	$1.60	$1.60	$2.40	$3.20					

Business Case and ROI – includes isv/sdn/tools ($9m incremental OPEX)

($M)	FY07	FY08	FY09	FY10	Cumulative
Revenue	138.3	154.7	241.4	342.5	876.9
COGS	14.0	23.0	58.0	109.0	204.0
Gross Margin	124.3	131.7	183.4	233.5	672.9
SW OPEX	43.3	46.8	46.8	46.8	183.7
ROI Ratio	2.9	2.8	3.9	5.0	3.7

Drafting Scenario
Data ARPU Growth = High
Java Relevance = Low

Business Case and ROI – includes isv/sdn/tools ($9m incremental OPEX)

($M)	FY07	FY08	FY09	FY10	Cumulative
Revenue	138.3	231.0	359.0	478.0	1206.3
COGS	14.0	33.0	81.5	147.5	276.0
Gross Margin	124.3	198.0	277.5	330.5	930.3
SW OPEX	43.3	46.8	46.8	46.8	183.7
ROI Ratio	2.9	4.2	5.9	7.1	5.1

Fat City Scenario
Data ARPU Growth = High
Java Relevance = High

Summing It Up: This is good business

- Staying the course means walking away from this market over time
- Business model of developer/content centric with an active focus of enrolling ISVs to help drive adoption of our bits can reposition Sun as a leader in the mobile market
- We need $9m* in annual runrate to fund activities across software (CSG, MDE, SDN, Tools) for a return over 4 years of from $876m to $1.2b (ROI ratio in 2010 of 5-7.1)

*** FY07 = $2.25m/quarter; begin ramp in Q2, total = $5.5m**

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But Even With $9m, It's Not Fast Enough to Counter Market Forces

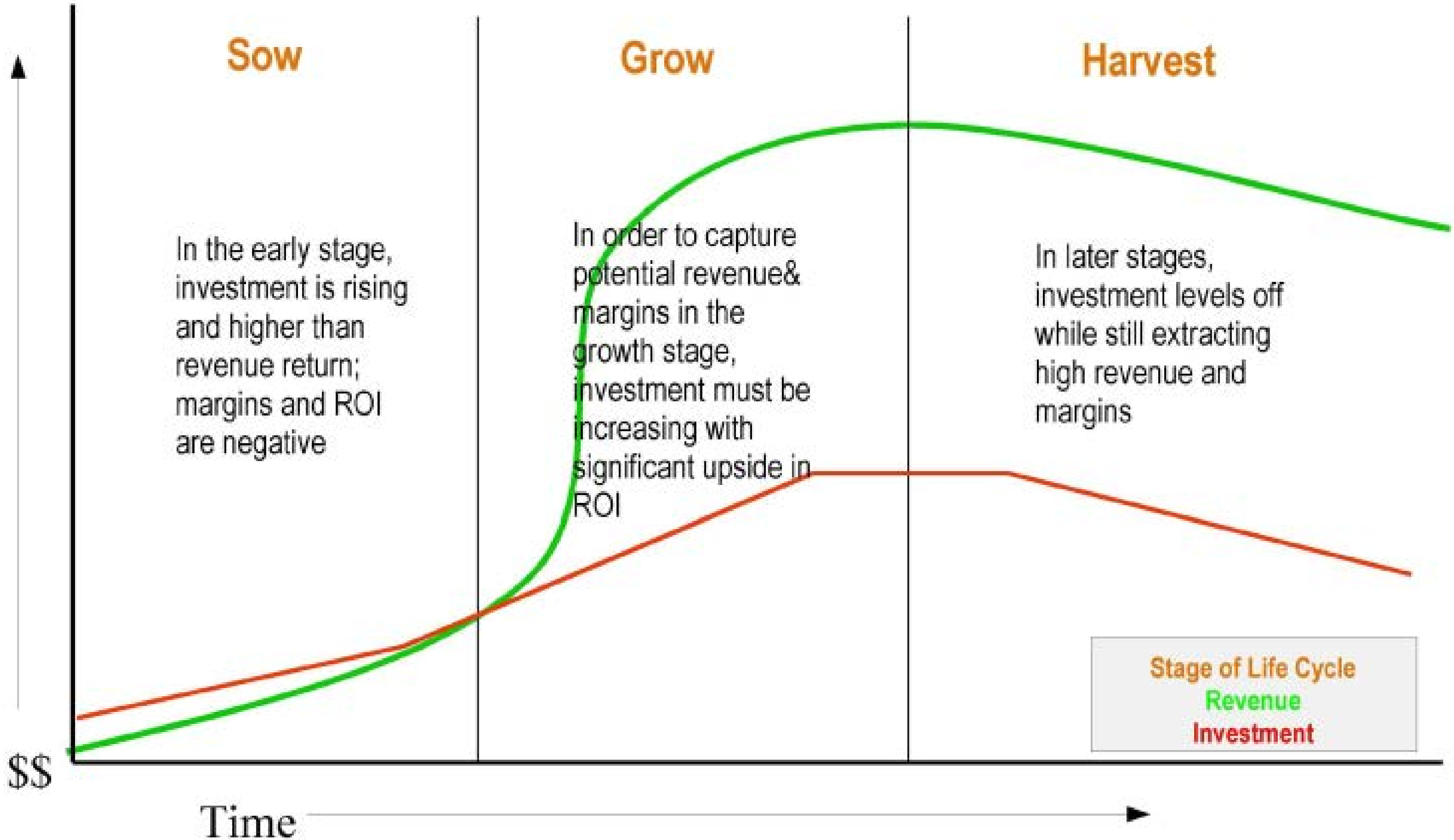
- Current trajectory won't position Sun to win the Advance OS Mobile app platform battle
- 100% alignment with Nokia's CDC Java direction to solve fragmentation & leverage Nokia's mobile developers
  - > Key initiatives:
    - > Secure the VM design win in Series 60
    - > Align Sun's Java ME commercial stacks to Nokia Series 60 Java platform behavior
    - > Fast track CDC/MIDP/OSGi/eSWT solution
    - > Collaborate with Nokia to complete Declarative UI technology
- Issues: Eclipse v. Netbeans for Nokia ecosystem; eSWT

Extra Slides

Investment Distribution

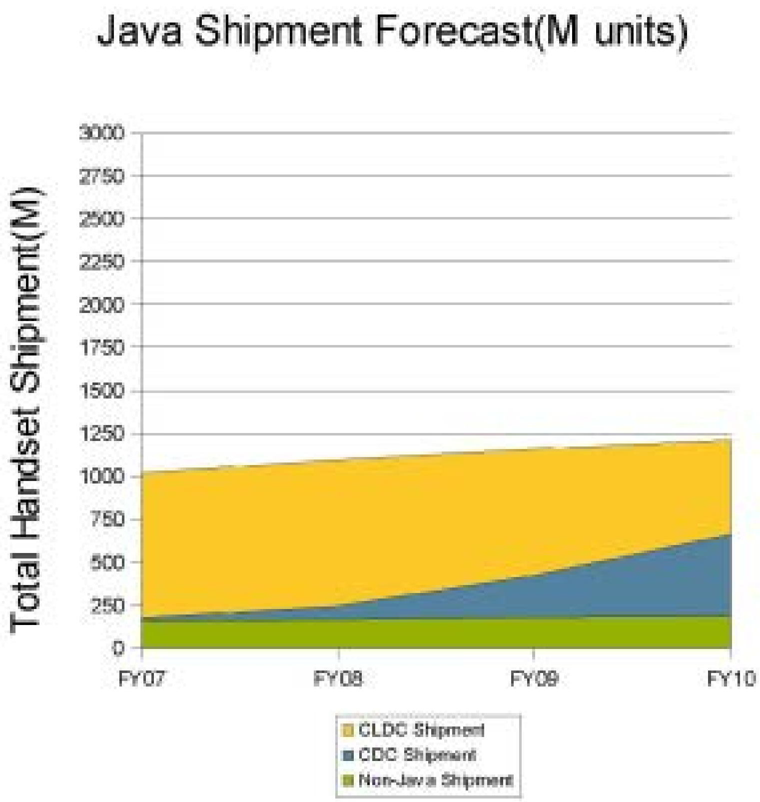
	FY07 ($M)	FY08 ($M)	FY09 ($M)	FY10 ($M)
R&D Community	$1.70	$2.80	$2.80	$2.80
R&D Commercial/ES	$2.00	$3.50	$3.50	$3.50
Prod Dev Support	$0.40	$0.60	$0.60	$0.60
ISV	$1.00	$1.50	$1.50	$1.50
Tools	$0.40	$0.60	$0.60	$0.60
SDN	TBD	TBD	TBD	TBD
Marketing	TBD	TBD	TBD	TBD
	$5.50	$9.00	$9.00	$9.00

Optimal product investment/revenue lifecycle

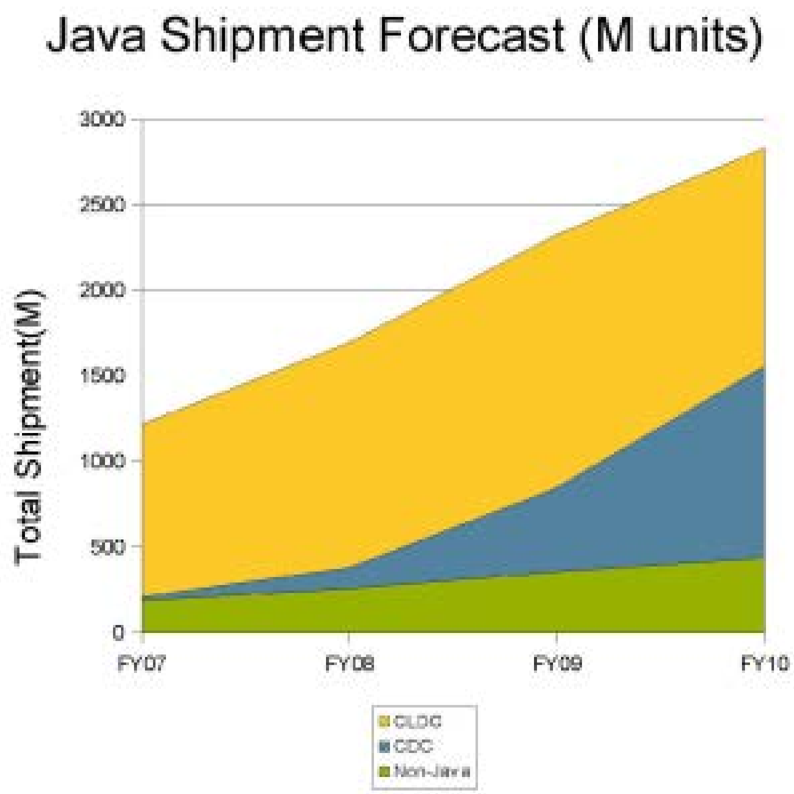


Advanced Phones Growing Faster

Conservative Shipment Outlook (Strategy Analytic)

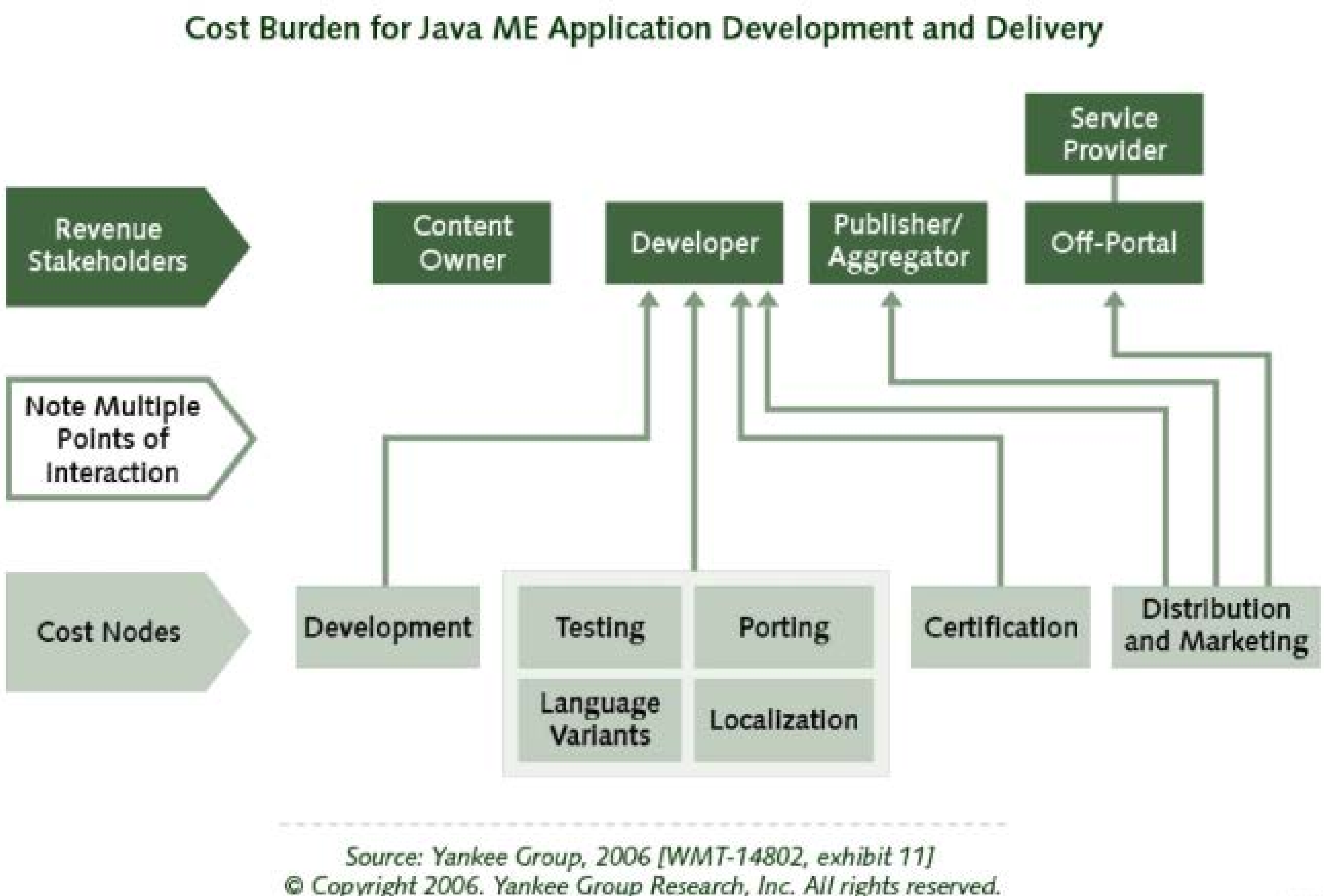


Aggressive Shipment Outlook (Visiongain)



Source: Strategy Analytics, Visiongain, Ovum

And Developers Carry Most of the Cost



Driving Value Across the Chain

Content drives adoption and monetization